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JAPAN AND THE ENERGY CRISIS*

Yu. K. Sergeyev

[Text] The energy crisis which has engulfed the capitalist countries has been attracting the attention of the world press for a significant time already. The crisis has been reflected markedly in the economic and political situation in the United States, in the states of Western Europe, and especially in Japan.

When explaining the causes of this event the capitalist press usually reduces things to certain steps in the field of petroleum deliveries which the Arab countries were forced to take after the "October war" of 1973.

A serious analysis of the circumstances which led to the energy crisis in the developed capitalist countries shows, however, that its roots are deeper. In reality it was just one of the graphic manifestations of the organic contradictions of the capitalist method of production, one element in the general crisis of capitalism along with the protracted currency chaos, the unrestrained inflation, and so on.

The energy crisis, which has shown once again the inability of the capitalist governments to use available natural resources in a planned, purposeful manner for the needs of public production and the welfare of humanity has already led to an intensification of social conflicts within the capitalist countries and to aggravation of the competitive struggle in the foreign policy sphere.

This can be seen very clearly in the case of Japan, which proved most vulnerable to the blows of the energy crisis.

Not having any significant petroleum deposits in its own territory, Japan has always imported petroleum and petroleum products from other countries.

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Before World War II, an average of three-fourths of Japanese import of this extremely important product came from the United States.¹

On the eve of the war in the Pacific Ocean petroleum became the object of major economic and political policy in Japanese-American relations. It will suffice to recall that in 1939 the United States denounced the Japanese-American trade treaty concluded in 1911. Its term ran out on 26 January 1940 and it was not replaced with a new one, which was unquestionably a reflection of the aggravation of economic conflicts between the two developed capitalist countries located on opposite sides of the Pacific Ocean. This led subsequently to serious political consequences. On 2 July 1940 U. S. President Roosevelt issued a decree establishing a system of licenses for exporting military materials abroad. It involved deliveries of petroleum products to Japan.

In June 1941 in connection with the attack by a German submarine on an American ship Roosevelt gave the order to sequester the assets of the "axis" powers, and in August of the same year the United States declared an embargo on the export of petroleum and petroleum products to Japan. But ruling circles in Japan calculated that accumulated petroleum reserves were sufficient to begin a major war in the Pacific Ocean. On 7 December 1941 the Japanese attacked Pearl Harbor...

The Petroleum Problem in the Postwar Period.

It is relevant to recall these historical facts today, when the capitalist world has collided with a phenomenon which is new to it and has come to be called the "world energy crisis" and when the Arab countries, to protect their independence and territorial integrity, have resorted to reducing petroleum deliveries to the allies of Israel, which attacked them. Historical facts show that petroleum has always been used as a political weapon and that for Japan the problem of petroleum deliveries has always been closely intertwined with a large group of international relationships.

In the time since 1951 when Japan restored its prewar industrial potential its gross national product has increased almost seven times. Associated with this has been a growth rate in petroleum consumption that is faster than that of the other developed capitalist countries. The Japanese example of swift economic development shows how important the use of petroleum as a source for obtaining energy and raw material for the chemical industry is as a source for accelerating industrial progress.

Whereas in 1955 petroleum occupied 20.2 percent of the country's fuel balance (1,020,000 barrels of petroleum a day in standard fuel units), in 1970 this index reached 70.8 percent (correspondingly, the entire balance was 5,660,000 barrels of petroleum).² According to forecasts by the Japanese Ministry of International Trade and Industry (MITI) by 1975

the share of petroleum and petroleum products in the country's fuel balance will be 73 percent and by 1985 it will be 67.8-69.1 percent with a significant increase in consumption volumes. The slight drop in petroleum's share can occur only through more active use of atomic energy and natural gas as power raw materials. In publishing these forecasts,³ the Japanese Ministry of International Trade and Industry apparently assumed that the country's hydro resources could not make a significant contribution to the country's energy balance because the development of rivers as sources of electric energy in the Japanese islands has been virtually completed. Neither can they count on a sharp increase in the extraction of coal in the country. This means that domestic energy resources in Japan are extremely limited and the country will have to face the necessity of increasing the import of petroleum, raw material for atomic power stations, natural gas, and coal. This will make the country even more dependent on import from abroad.

It is worthy of attention that the ministry is not planning to undertake the direct import of electric energy from Japan's neighboring countries along an underwater cable even though a number of Japanese firms consider such projects technically feasible and are working on their realization.

The growth rates of petroleum consumption in Japan in recent years have significantly surpassed the average index for the entire capitalist world, which was 8.1 percent for 1960-1969. For the United States this index was five percent, while for the FRG it was 11.6 percent, for France it was 11.1 percent, for England 7.6 percent, and for Japan — 17.4 percent.⁴ Whereas in 1960 Japanese industry needed 29.5 million kiloliters of petroleum, in 1970 it was already requiring 185.5 million kiloliters and in 1972 it imported 243 million kiloliters of petroleum.⁵ Under Japanese conditions petroleum import thus far has been virtually equal to the volume of consumption. Of all petroleum imported by Japan an average of 15.5 percent is used to produce industrial output and 22.5 percent goes for the production of transportation fuel. The largest part (62 percent) goes for fuel for power stations.

According to forecasts drawn up by Japanese economists at the start of 1973 the consumption of petroleum in Japan and in the entire world should grow in the following manner (in millions of kiloliters, figures in parentheses show percentage of dependence on import deliveries)⁶:

Район (Region)	1971 г.	1980 г.	1985 г.
США (United States) . . .	857 (70.3)	1305 (47.6)	1500 (55.8)
Западная Европа (Western Europe) . . .	764 (100)	1276 (86.1)	1523 (84.1)
Япония (Japan)	214 (100)	450 (100)	606 (100)
Другие страны (Other countries)	994 (32.7)	1787 (27.4)	1503 (22.5)

Since 1967 Japan has consistently held second place in the capitalist world for volume of petroleum import and consumption. From the figures cited it can be seen that with a population which is three percent of the population of the globe Japan consumes 9-10 percent of world petroleum extraction each year.

Because the United States of America has been the primary exporter of petroleum to Japan from the moment that a petroleum refining industry was established in that country this sector of Japanese industry has arisen with the technical cooperation and participation of American capital. Some of the American petroleum companies which are now operating in Japanese territory were established there even before the war. The Mitsubishi Concern's petroleum company Mitsubishi Sekiyu was one of the joint companies of that time which was most closely connected with American capital.

Japan's defeat in the war was used by American capitalists to penetrate and stabilize their position in the Japanese petroleum market. It was precisely in this period that the Americans were able to secure a dominant position in the Japanese petroleum business. The Program for Stabilization of the Country's Economy which was proclaimed on 17 December 1948 by General MacArthur on the order of the U. S. State Department and the Program for Attracting Foreign Capital which followed it a month later were the instruments which helped the American petroleum monopolies achieve their purposes.

Until 1949 the Americans supplied the Japanese economy with petroleum and petroleum products themselves. They prohibited the Japanese from restoring the national petroleum refining industry and by the time when this ban was lifted the American oil capitalists already had such a strong position in the country that it was possible for them to dictate prices to the Japanese without control and to buy up the shares of the Japanese companies. For example, in 1949 the American Caltex Company bought up shares which gave it the right to direct the activity of the Nihon Sekiyu Company on a monopoly basis for 10 years.⁷ In 1950 the Japanese Parliament adopted a law on foreign investment which erected a certain barrier to unobstructed penetration by American petroleum capital into the country. Nonetheless, in addition to the above-mentioned Nihon Sekiyu, the Koa Sekiyu and Showa Sekiyu companies turned over 50 percent of their shares to American and English petroleum monopolies in the next two years.⁸

In recent years, giving in to U. S. demands that foreign investments in the Japanese economy be liberalized, the government of the country has agreed to give foreign companies the right to have a share (50 percent) in firms which are opened up in Japanese territory. The penetration of foreign capital into the petroleum refining industry and the sphere of distributing petroleum and petroleum products within the country, however, continues to be restrained. The last case of a major success by American petroleum capital in Japan goes back to June 1963 when the Mobil company was able to join with the Japanese Mitsui Concern under conditions of

equal participation by capital in establishment of the Kyokuto Petroleum Industries Company in Japanese territory. The new company has capacities for refining 100,000 barrels of petroleum a day.

At the end of 1972 the capacities of the Japanese petroleum refining industry were 4.89 million barrels a day, which is 7.4 percent of world capacities.⁹ By 1975 it was planned to increase them to 6.2 million barrels a day. In Japan today 31 companies refine petroleum at 46 petroleum refineries.¹⁰ The largest companies are Idemitsu Kosan (11.4 percent of all petroleum refining in the country), Nippon Petroleum Refining (9.2 percent), Toa Nenryo Kogyo (8.8 percent), Maruzen Sekiyu (5.8 percent), and Mitsubishi Sekiyu (5.6 percent). The country's industrial belt, which faces the Pacific Ocean Coast, contains 84 percent of all petroleum refining capacities.

In three of the five leading petroleum refining companies foreign capital is 50 percent. These are Nippon Petroleum Refining (Caltex), Toa Nenryo Kogyo (Exxon — 25 percent, Mobil — 25 percent), and Mitsubishi Sekiyu (Getty Oil). Twenty percent of the capital in the Maruzen Sekiyu Company belongs to the American company Unox. Overall for the 14 leading companies in Japan 25.5 percent of their total petroleum refining capacity belongs to foreign capital. But in the total Japanese petroleum refining industry 54 percent of the total paid-for capital of this industrial sector belongs to foreigners as does 49.1 percent of total petroleum refining capacities.

Foreign capital has 55.2 percent of total domestic advance sales of petroleum and petroleum products.

In order to achieve a fuller picture of the activity of foreign petroleum capital in Japan we should note that it uses the offer of loans as a lever to influence Japan's petroleum business. Most of these loans go to those companies which are most closely connected with international petroleum capital. According to figures in the TOKYO PETROLEUM NEWS, in the period between 1952 and 1971 petroleum companies in Japan were given foreign loans worth 848 million American dollars.¹¹ The granting of loans to Japanese national companies has always been done under conditions which make the companies definitely dependent on the international petroleum monopolies.¹²

Control by foreigners, especially by U. S. petroleum capitalists, over the delivery of petroleum and over the petroleum refining industry and the petroleum marketing network in Japan has always caused dissatisfaction among Japanese national capitalists who constantly demand that their government take appropriate restrictive measures against their foreign rivals. In addition to the law on foreign investments which has already been mentioned we should also refer to the law on the petroleum industry adopted by the Japanese Parliament in May 1962. It gave the ministry of International Trade and Industry monitoring functions in regulating

production volumes of petroleum products in the country and their marketing and import. According to this law foreign capital investments in enterprises which refine petroleum and market petroleum products cannot be made without government sanction. Passage of the law evoked protests from the U. S. and British embassies.

Restricting the activity of foreign petroleum monopolies in the country has been the subject of numerous debates at annual meetings of the Japanese-American committee on trade and the economy. For the fight against Japanese national capitalists and the government the international petroleum monopolies used the Federation of Petroleum Refining Companies of Japan, which appears as a national organization of industrialists but in essence is a purveyor of the policy of the foreigners because a large majority of the votes in it belong to companies with foreign capital.

To counterbalance the influence of the foreign petroleum companies, in 1965 a national association of six small petroleum companies was formed under the aegis of MITI and named Kyodo Sekiyu. By September 1968 this association already owned 3,600 filling stations, about 10 percent of the total number in the country.¹³

The Development Bank, which is known in Japan as a government agency for stimulating the development of national sectors of production, gives this association and other petroleum companies which are recognized as national (such as Idemitsu Kosan, Maruzen Sekiyu, Kansai Sekiyu, Fuji Kosan, and others) loans on advantageous conditions. The total sum of these loans since 1965 has been 100 billion yen.

Nonetheless Japanese dependence on foreign petroleum capital remains very significant because 80 percent of petroleum deliveries to the country are carried out on the basis of contracts with international petroleum monopolies or from sources controlled by them. More than 50 percent of all petroleum purchased by the Japanese comes from American companies.

Petroleum Import: Requirements, Possibilities, and Difficulties.

Since 1967 Japan has consistently been second in the capitalist world in the consumption of petroleum. In 1973 the consumption of petroleum and petroleum products in the country averaged about five million barrels a day, that is, about 800,000 tons. This mass of petroleum products reaches the final consumer through a domestic marketing system which is headed by seven very large wholesale companies. This petroleum is received from many regions of the world.

It can be seen from the table that Japan receives petroleum primarily from the Persian Gulf Region. Indonesia has become a secondary source from which Japan receives petroleum. The total value of all petroleum imported in 1972 was 3,934,000 American dollars, which was 17 percent of the total value of Japanese import. In connection with the rise in

Table. Geographic Distribution of Japan's Petroleum Import in 1972 (In Millions of Kiloliters, MITI Figures).

Region	Total	Of Total, for Refining	Share of Import (%)
Middle East			
Iran	91.5	87.1	37.5
Saudi Arabia	39.9	36.9	16.4
Kuwait	20.8	20.7	8.6
Central Zone	21.2	20.0	8.7
Dubai	1.2	1.0	0.5
Abu Dabi	21.7	19.6	8.9
Iraq	0.3	0.3	0.1
Total	196.8	188.6	80.7
Indonesia	33.5	26.4	13.8
Brunei	6.1	4.0	2.5
Total	39.7 [sic]	30.4	16.3
USSR	0.4	0.39	0.2
African Countries	5.9	4.6	2.4
Latin America	0.6	0.6	0.3
Australia	0.2	0.2	0.1
Overall Total	243.8	225.0	100.

petroleum prices and the increase in requirements it is assumed that Japan in 1974 will spend 10-15 billion dollars to purchase petroleum and petroleum products.¹⁴

Up to 60 percent of all petroleum consumed by Japan is imported in Japanese vessels. Japan has a tanker fleet with a total deadweight of 19 million tons for transporting petroleum, and more than half of this fleet consists of large tankers with deadweights of 150,000 tons and more. Shipping one ton of petroleum from the Persian Gulf costs Japan an average of 1,200 yen. The average time between loading and unloading is 20 days if the ship goes through the Strait of Malacca.¹⁵

As Japan has become the second economic power of the capitalist world, the government and business circles became increasingly aware of the need for their industry and transportation to have guaranteed, stable sources of petroleum. But the primary way to achieve this was to gradually free themselves of the control of the international petroleum monopolies. The decline of the colonial system, the consolidation of the independence of many "third world" countries which are petroleum suppliers, and the aggravation of conflicts among the imperialists have created certain favorable conditions for Japan.

The decision made by the Council on Energy of MITI on 21 February 1967 should be considered an official declaration of the country's policy of achieving independence and self-reliance in petroleum supply. The task advanced by this decision was to insure by 1985 that 30 percent of Japan's petroleum needs are supplied by sources in whose development Japanese capital participates in one form or another.

The end of the 1960's and start of the 1970's saw active discussion of questions of Japanese energy policy. The initiative in this belonged to business circles: Uemura, chairman of the Federation of Economic Organizations of Japan (Keidanren); Nagano, president of the chamber of commerce and industry; and Kikawada, director of the influential organization of businessmen Keizai Doyu Kai.

Prime Minister Tanaka was invited to a session of the Council of Permanent Members of Keidanren which was held on 26 December 1972. Opening the meeting Uemura said: "The greatest problem for the Japanese economy ... is the problem of energy. It is essential for our country, which is poor in raw material resources, to make all possible efforts to achieve guaranteed deliveries of power raw materials."¹⁶ Participants at the meeting adopted a document concerning the basic principles of policy in the area of energy. It was addressed to the government and to the ruling and opposition parties and it is precisely this document which forms the basis of the energy policy that Japan now follows.¹⁷

On the recommendation of Keidanren a new administration of energy resources was formed as part of MITI in July 1973 and all the country's industrial-financial groups had by this time formed special companies ("sekiyu kaihatsu kaisha") to finance exploration for and extraction of petroleum abroad. There are now 20 such companies in existence.¹⁸ The number of Japanese companies directly involved in petroleum prospecting and extraction abroad increased from 22 in 1971 to 51 in 1973. An agreement to loan 300 million dollars to Indonesia for exploration and increasing the extraction of petroleum with subsequent delivery to Japan went into force. In February 1973 a new company was formed — Japan Sekiyu Kaihatsu, which became the owner of 22.5 percent of the shares of the Anglo-French Abu Dabi Marine Area Company. The shares were bought from British Petroleum for 780 million dollars thanks to the combined efforts of the Japanese Government and business circles.¹⁹

These events took place before October 1973 when the Arab-Israeli armed conflict unfolded and the Arabs resorted to an embargo on petroleum as a political weapon. This shows that the problem of guaranteed petroleum deliveries has been a very acute one for Japan for a long time and the cause of its aggravation was not so much the Arab-Israeli conflict as it was the phenomenon which has come to be called the "world energy crisis." Therefore the allegations of those who attribute all Japan's petroleum problems to the actions of the Arabs appear strange at the very least.

The Peking leadership is trying to take advantage of Japan's difficulties with petroleum. Although petroleum extraction in China is on the level of three liters per inhabitant and petroleum consumption in Japan is about three tons per capita,²⁰ Chinese foreign trade organizations have undertaken to allocate 1 million tons of Tach'ing petroleum for export to Japan, promising to increase their deliveries to 5 million tons a year in the future. The Japanese press notes that the Peking leadership decided on this step in order to encourage the Government of Japan to refrain from developing Japanese-Soviet economic relations, specifically to refrain from participation in joint development of the natural resources of Siberia with the USSR.²¹ It is plain that anti-Sovietism and intervention in the mutual relations of third countries are the norm for Peking's foreign policy.

For certain political concessions Peking offers its petroleum to Thailand, Singapore, the Philippines, Malaysia, Pakistan, and certain African countries. Peking is rushing to extract the maximum advantage for its own foreign policy from the situation with petroleum which has taken shape in the world and shows little concern for the fact that this is having a negative effect on its own economy.

Without placing particularly great hopes on China, Japan is making intensified efforts to find new possibilities in the region of Southeast Asia. Singapore is a major center for the processing and transshipment of petroleum and petroleum products. It already occupies first place in Japanese import of fuel (mazut) oil.²² We may expect an increase in the petroleum extraction and refining capacities of Indonesia, the largest petroleum extracting state in this region. The Japanese are attracted by Indonesian petroleum not just because it is the closest oil-rich territory to them, but also because Indonesian petroleum has a low sulphur content. It is used for mixing with Middle Eastern sulphurous petroleum in order to reduce environmental pollution in Japan.

The Japanese press keeps a careful watch on reports of possibilities for petroleum extraction in the continental shelf of the Korea Strait, the gulfs of Tonkin and Bohai, and along the shores of Thailand. But it must be kept in mind that equipment for marine drilling is just beginning to be built and the production cost of petroleum extracted from the sea floor is significantly higher than that which is extracted on land.

Nonetheless Japan is trying to "stake out" petroleum sectors in all of these regions for itself. Japanese companies are carrying on talks on the possibility of participating in petroleum exploration on the shelf with the DRV, Thailand, the PRC, and South Korea. But the conflicting claims of Japan, China, and South Korea to the Senkaku Islands and the armed clash between South Vietnamese troops and troops of the PRC in the Paracel Islands are evidence that territorial disputes may seriously complicate the development of Southeast Asia's petroleum shelf.

Japan is not limiting itself to the acquisition of stable sources of petroleum in Southeast Asian regions only. According to the theory, now prevalent in the country, of diversifying raw material purchasing markets petroleum should be bought everywhere it can be bought. A necessary condition here is the participation of Japanese capital in extraction of the petroleum.²³

And the primary area where the efforts of Japanese petroleum capital are applied continues to be the Middle East: more than 50 percent of all Japanese allocations for petroleum exploration and 80 percent of allocations for building up petroleum extraction regions abroad are sent to the Middle East. The state Japan Petroleum Development Corporation, which also has its own company for the development of petroleum abroad (Japex, 65 percent of whose shares belong to the Japan Petroleum Development Corporation) plays the part of technical consultant to Japanese companies for questions of petroleum exploration and extraction. Petroleum development is financed on favorable conditions at state expense through the Fund for Foreign Economic Cooperation.

The government is also very active directly in this area. At the end of 1973 Japanese Vice Premier T. Miki visited the Arab countries and promised economic and technical assistance to countries in this region in exchange for petroleum. Following this, at the start of 1974 Minister Y. Nakasone visited the Middle Eastern countries and carried on talks about Japanese participation in the development of petroleum deposits.

It should be noted that during the outbreak of armed conflict in the Arab East in October 1973 the Japanese Government tried to take a position of political neutrality in relation to the warring sides, which was correctly evaluated by the Arabs as silent support of the aggressor. The Arab countries demanded that Japan change its position, threatening that if it did not they would not only impose an embargo on petroleum but also break diplomatic relations.

Japan faced a dilemma: either remain faithful to the alliance with the United States and come out against the Arabs, which meant preserving and possibly increasing the country's dependence on American petroleum capital, or take the side of the Arabs, incurring the displeasure of the American Government. In this case new opportunities opened for the Japanese to diversify their petroleum purchasing market and be freed of the tight controls of international petroleum capital. The Japanese rephrased the words spoken by the Arabs during their imposition of a petroleum embargo in 1967. They told the Americans that Japanese industry had to consume petroleum and proclaimed their "New Middle Eastern Policy," whose goal was active penetration by Japanese capital into the Arab East.

The Arab countries greeted Japan's "New Middle Eastern policy" as a manifestation of a certain independence in Japanese foreign policy, but they could not fail to call attention to the methods of action which Japanese

capital uses abroad. It is widely known that these methods call forth sharp protest in the countries of Southeast Asia, which was seen particularly during the January 1974 visit by Prime Minister Tanaka to this region (turbulent protest demonstrations in Thailand and in Indonesia). Nor could the Arabs fail to note that Miki's visit to Washington had the purpose of reconciling Japanese-American policy in the Middle East.

As should have been expected, however, the main blow against Japan in the course of the "world energy crisis" was delivered by the international petroleum monopolies. Taking advantage of the Arabs' imposition of a partial embargo on petroleum, these monopolies not only deliberately hiked the prices for petroleum and petroleum products but also spread confusion on the country's domestic market by speculation and failure to deliver petroleum. Japan was no exception in this. Many countries in Western Europe and even the U. S. population to some degree became victims of speculative acts by international petroleum capitalists. In their turn, the Japanese monopolists are also trying to "catch fish in murky waters," speculating on the oil shortage.

The "international energy crisis" engulfed only the capitalist world, proving that this crisis is not truly an international one. It is only one of the manifestations of the ills of the capitalist economic system, the result of the unevenness of development of countries included in it and of growing interimperialist contradictions. A battle is underway between Japan, Western Europe, and the United States for the cheapest (until recently!) energy raw material in the world.

In an interview with the newspaper MAINICHI SHINBUN, Imazato, a prominent representative of Japanese business circles who, it cannot be denied, understands the political aspects of the petroleum problem, said: "Last year (1972) petroleum consumption in Japan was 230 million kiloliters. The United States consumed 750 million kiloliters. Of that 230 million kiloliters was imported. In other words the United States imports as much petroleum as Japan consumes. America's petroleum import will grow greater and greater in the future. In 1980 the United States will cover 50-58 percent of its petroleum needs through imports. America is passing Japan in this index and becoming the largest petroleum importer in the world. For this reason alone one may expect an aggravation of the rivalry between Japan and the United States for petroleum import."²⁴

United States' plans to buy as much petroleum in the Middle East as the entire Japanese economy now consumes each year were a definite surprise for Western Europe and Japan; in fact they created the crisis situation inasmuch as both Japan and Western Europe consider the Middle East "their own" main source of petroleum and they link their own plans for further economic development with this region. This is the meaning of Imazato's statement.

Evaluating U. S. actions in this situation, Oya, head of one of the departments of the Japanese Ministry of Foreign Affairs, wrote the following in his article entitled "The Situation with Petroleum in the World and

the Path Which Japan Should Take": "The U. S. Government is coming to the conclusion that it itself should take matters in hand. The goal of the American Government is to shape new systems in the world around petroleum, and in forms which would correspond to the position of the United States not only as a major world consumer of petroleum but also as an importer. The United States claims the role of leader of the petroleum consuming countries in order to carry on contacts with the petroleum extracting countries in accordance with the situation that is taking shape."²⁵ In Oya's opinion one cannot stand aside at such a time!

This is precisely why the Government of Japan and Japanese business circles are seeking prompt measures to get out of the difficult situation which has come about in some way with minimal losses.

But the losses threaten to be substantial. As the well-informed journal FAR EASTERN ECONOMIC REVIEW points out, in the very near future the overall decrease in production volume in Japan due to the shortage of petroleum products may prove very substantial.

Thus, if we base ourselves on the most optimistic forecasts and assume that consumption of petroleum in the country until September 1974 will decrease by just 10 percent, then according to the calculations of the Japanese Bureau of Economic Planning the production of paper will decrease by 7.7 percent, steel production will be down by 7.7 percent also, the production of cars will drop by 5.4 percent, and so on. The construction and machine building sectors of industry and the power industry will suffer a serious loss. For this reason not only will export not grow, but it may possibly decrease by five percent.²⁶

Furthermore we should keep in mind the very important circumstance that a sharp rise in prices for petroleum products will inevitably lead to a corresponding rise in prices for Japanese goods and this will be reflected immediately in the standard of living of the population.

So despite the fact that the Arab countries agreed in principle to remove the petroleum embargo in relation to Japan the situation in the Japanese economy is far from normalized. Crisis phenomena continue to agitate the country. An unprecedented inflation is raging, wholesale and consumer prices are rising sharply, and small and medium-sized enterprises are going bankrupt at an unprecedented rate. All this leads to aggravation of social conflicts. The masses of common people are struggling resolutely against a lowering of the standard of living and the endeavor of the monopolies not only to pass all the hardships onto the shoulders of the working people but even to extract new, speculative super-profits from the crisis situation.

FOOTNOTES

1. In the book EOL' SSHA I YAPONII V PODGOTOVKE I RAZVYAZYVANII VOYNY NA TIKHOM OKEANE (The Role of the United States and Japan in Preparation for and Unleashing of the War in the Pacific Ocean) (State Political Publishing House, 1951), V. Ročov writes that until 1936 "the United States supplied Japan with almost 100 percent of its petroleum needs" (p 69). After 1936 Japan showed a desire to diversify its petroleum purchasing market, and this led to a reduction in the U. S. share in its import of this product.
2. JAPAN PETROLEUM WEEKLY XI, 1971.
3. Ibid.
4. SIGEN MONDAI-NO TEMBO, MITI Publishing House, 1971.
5. For 1972, preliminary data published by MITI in January 1973 are given.
6. Special issue of the tri-monthly journal TOYO KEIZAI for 1973.
7. Pevzner, Ya. A. MONOPOLISTICHESKIY KAPITAL YAPONII (Japanese Monopoly Capital), Moscow-Leningrad, Publishing House of the USSR Academy of Sciences, 1950, pp 429, 440.
8. Ignatushchenko, S. K. YAPONIYA I SSHA. PARTNERY I KONKURENTY (Japan and the USA. Partners and Rivals), Moscow, 1970, pp 218-225.
9. JAPAN PETROLEUM WEEKLY 1973, No 4.
10. According to figures from English and American specialized journals, by the start of 1973 there were 43 petroleum refineries in Japan with a total annual capacity of 216 million tons.
11. TOKYO PETROLEUM NEWS 1973, No 82.
12. Ignatushchenko, op. cit., pp 212-213.
13. DAIYAMONDO 16 December 1968.
14. NEW YORK TIMES 17 February 1974.
15. MAINICHI SHINBUN 21 February 1973. According to figures from the journal FAR EASTERN ECONOMIC REVIEW dated 17 December 1973 the Japanese tanker fleet amounted to 189 vessels with a total cargo capacity of 21,832,000 tons deadweight.
16. KEIDANREN GEPPU 1973, No 1.

17. Ibid.
18. ZAIKAI 1 January 1973, pp 94-97.
19. SANKEI SHINBUN 1 February 1973.
20. According to the figures of Japanese and American specialists China extracts 25-30 million tons of petroleum each year. In private conversations with foreigners Peking leaders have asserted that their petroleum extraction in 1973 grew to 50 million tons, but the Chinese press does not publish official figures on this question.
21. SHUKAN BUNSHU December 1973.
22. Four million kiloliters worth a total of 56.2 million dollars in 1970 -- TSUSYO HAKUSYO, MITI Publication for 1971.
23. The Japanese employ the practices of obtaining concessions, establishing joint companies with local and third-country capital, offering capital in the form of technical assistance, long-term credits for purchase of equipment, and so on. For details on this question see the article by P. Dolgorukov entitled "New Trends in the Export of Capital From Japan," in the appendix to the BYULLETEN' INOSTRANNOY KOTMERCHESKOY INFORMATSII 1972, No 5.
24. MAINICHI SHINBUN 20 and 21 February 1973. Imazato gives round figures which are not at all exact.
25. SEKAI KEIZAI HYORON 1973, No 3.
26. FAR EASTERN ECONOMIC REVIEW 17 December 1973.